Energy Sector – Neutral

News Update

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Energy prices hold firm despite Evergrande scare

- **Slow output recovery in the US**
- **OPEC+ to maintain oil output plan**
- **China's refinery throughput at 15-month low**
- **En Plus: New US LNG capacities starting up**

Energy prices remain firm last week despite concerns of China Evergrande's financial status and its potential impact on the Chinese economy.

Slow output recovery in the US

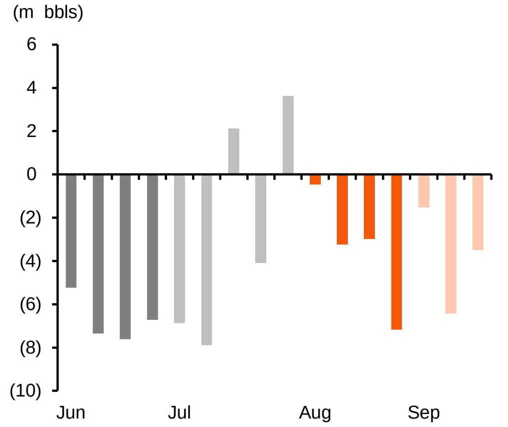
- US commercial crude oil inventory declined by 3.48m bbls w-w. This was bigger than market expectation of a 2.44m bbls draw. The picture was more mixed on the product front with gasoline inventories increasing by 3.5m bbls while distillate stockpiles fell 2.6m bbls.
- US crude oil production recovered by another 500kbd to 10.6mbd as output is slowly being restored in the Gulf of Mexico post Hurricane Ida.
- US petroleum products supplied increased by 1.2mbd to 21.1mbd with Gulf Coast refineries resuming full operation.
- Baker Hughes reported that US oil rig count increased by another 10 rigs to 421 rigs as of 24 September.

OPEC+ to maintain oil output plan

Two of major OPEC+ members believe the group should continue to increase production in November.

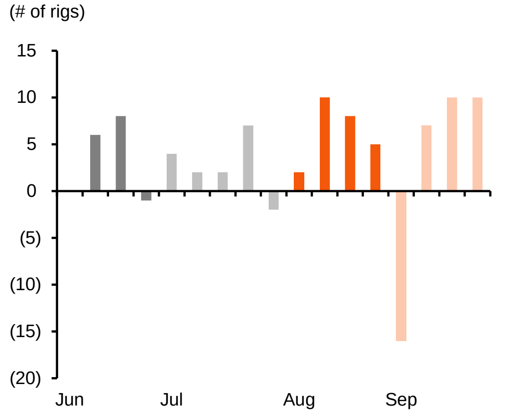
- **Continued output increase**: Both Nigeria and the UAE both support further OPEC+ output hike of 400kbd in November. At its meeting in July, the group agreed on a roadmap to raise output by 400kbd from August 2021 to April 2022 though actual quota increase for each month will be set at subsequent monthly meetings. The quota for November will be decided at OPEC+ next meeting on 4 October.
- **Nigeria wants higher quota**: For its part, Nigeria wants a higher quota despite operational hiccup that pushed the country's crude oil output down to 1.27mbd in August vs 1.44mbd in July. Still, the country thinks it can ramp up output to 1.7mbd by November and 2mbd by the end of the year.
- **Our view**: We do not expect a run-away oil price as OPEC+ output increase will be enough to meet demand recovery.

Ex 1: U.S. crude oil inventory w-w change



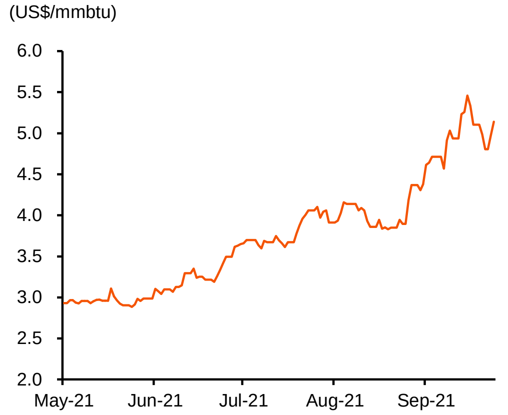
Source: EIA

Ex 2: U.S. oil rig count w-w change



Source: Baker Hughes

Ex 3: US natural gas price at Henry Hub



Source: Bloomberg

China's refinery throughput at 15-month low

Crude throughput at China's refineries fell to a 15-month low.

- **Falling throughput**: Crude throughput at Chinese refineries fell to a 15-month low of 58.35m tons in August. This was down 2.2% y-y and 1.2% m-m. We believe limited oil product export quota and crackdowns on teapot refineries were key culprits.
- **Jet fuel suffers big drop, fuel oil output surged**: By product, jet fuel / kerosene category saw the biggest y-y and m-m drops of nearly 20% to 2.8m tons. By contrast, fuel oil production was up 38% y-y and 9% m-m. These big changes may be partly a result of reclassification as jet fuel is subjected to higher consumption tax than fuel oil.
- **Implications for Asian GRM**: The low throughput in China is a welcome relief for Asian refiners. Still, we think GRM improvement will be capped by slow pace of demand recovery particularly for jet fuel.

En Plus: New US LNG capacities starting up

Major new LNG liquefaction plants are starting up in the US. This will create additional demand for gas at a time when supply outlook is already tight.

- **Sabine Pass T6 commissioning**: Cheniere Energy's Sabine Pass is in the process of commissioning its train 6 following US regulators' approval. Once train six is up and running, Cheniere will be operating 45m tpa of LNG capacities at two sites (Sabine Pass and Corpus Christi).
- **Calcasieu Pass nears completion**: Venture Global's Calcasieu Pass LNG is nearing completion and will start operation by the end of the year. This is nearly 6 months earlier than original timeline. At 10m tpa, Calcasieu Pass will be come the 7th major LNG facility to start up in the US.
- **Bullish for Henry Hub natural gas price**: The start ups of two major LNG plants may help marginally cool down the red-hot LNG market. However, we think the bigger impact will be on US gas price at Henry Hub as additional export demand will coincide with seasonal high domestic demand and still tight supply.

Ex 4: Prices And Spreads

(US$/bbl)	3Q20	4Q20	1Q21	2Q21	QTD	Jun-21	Jul-21	Aug-21	MTD	Last
Oil prices										
Dated Brent	42.70	44.53	60.84	68.63	72.57	73.07	74.22	70.02	73.83	77.66
Dubai	42.47	43.87	59.70	66.43	71.00	70.96	72.79	68.91	71.50	74.54
WTI	40.90	42.74	58.07	66.10	70.21	71.35	72.43	67.71	70.70	73.98
Crack spreads over Dubai										
Gasoline	4.87	5.20	7.49	10.67	12.42	9.19	11.71	12.72	12.91	12.97
Jet fuel	0.68	3.79	4.25	5.36	5.54	5.57	4.44	5.16	7.39	9.18
Diesel	5.63	4.53	5.37	6.09	7.19	6.33	6.54	7.21	7.96	9.12
High-sulfur fuel oil	(2.47)	(1.02)	(4.28)	(6.80)	(5.50)	(8.37)	(8.13)	(5.62)	(2.10)	(3.21)
Refining margins										
FCC / Dubai	(0.13)	1.07	1.21	0.95	0.42	0.42	0.56	0.83	0.44	0.44
Hydrocracking / Dubai	0.03	0.52	0.71	0.77	0.59	0.64	0.74	0.92	0.60	0.60
FCC / Espo	(0.66)	(0.33)	1.47	1.55	0.82	0.82	0.96	1.22	0.84	0.84
FCC / Arab Light	(0.90)	1.45	0.56	(0.51)	(1.07)	(1.07)	(0.93)	(0.66)	(1.05)	(1.05)
Hydrocracking / Murban	0.87	1.17	2.29	2.81	2.89	2.93	3.03	3.22	2.90	2.90
(US$/tonne)										
Aromatics spreads										
PX-naphtha	128	136	185	232	232	214	230	256	204	206
BZ-naphtha	35	119	191	367	356	348	372	333	359	376
Olefin spreads										
HDPE-naphtha	526	608	583	576	463	425	432	499	468	461
LDPE-naphtha	567	780	959	936	820	743	754	864	871	861
PP-naphtha	535	695	771	709	560	570	552	594	528	521
Ethylene-naphtha	366	463	416	406	299	262	284	279	349	361
Propylene-naphtha	412	499	461	436	297	335	281	323	289	281
Henry Hub Gas (US$/mmbtu)	2.12	2.76	2.73	2.97	4.22	3.27	3.82	4.03	4.97	5.14
Coal (Newcastle) (US$/tonne)	51.60	66.20	87.47	106.49	162.94	125.31	146.01	167.19	178.33	181.50

Source: Bloomberg

Ex 5: Valuation

	Rating	Current price (Bt)	Target price (Bt)	*Upside/ (Downside) (%)*	Market cap (US$ m)	Norm EPS growth 2021F (%)	Norm EPS growth 2022F (%)	Norm PE 2021F (x)	Norm PE 2022F (x)	EV/EBITDA 2021F (x)	EV/EBITDA 2022F (x)	Yield 2021F (%)	Yield 2022F (%)
BANPU	BUY	12.50	20.00	*60.0*	1,908	na	21.5	7.9	6.5	5.5	5.0	4.8	6.2
BCP	SELL	26.75	21.00	*(21.5)*	1,108	na	na	na	24.5	8.8	6.9	0.0	2.2
ESSO	SELL	8.00	6.90	*(13.8)*	833	na	na	na	146.6	37.4	21.2	0.0	0.3
IRPC	BUY	4.04	5.10	*26.2*	2,483	na	9.6	14.4	13.2	9.0	8.3	4.2	4.6
IVL	BUY	44.00	52.00	*18.2*	7,431	169.1	(0.9)	14.3	14.4	8.5	9.1	2.5	2.4
PTG	BUY	17.20	22.00	*27.9*	864	(3.6)	11.8	16.0	14.4	7.4	7.0	3.1	3.5
PTT	BUY	40.00	50.00	*25.0*	34,369	182.0	5.2	10.6	10.1	4.7	4.3	4.7	4.9
PTTEP	BUY	113.00	140.00	*23.9*	13,495	68.1	15.8	12.5	10.8	3.9	3.5	4.8	5.6
PTTGC	BUY	60.50	86.00	*42.1*	8,206	219.4	(1.2)	11.2	11.3	6.8	6.6	5.4	5.3
SPRC	SELL	9.05	7.20	*(20.4)*	1,180	na	na	na	117.5	21.3	15.7	0.0	0.3
SUSCO	BUY	3.20	4.80	*50.0*	106	3.0	23.4	15.0	12.1	6.3	5.1	3.4	4.1
TOP	SELL	50.00	48.00	*(4.0)*	3,068	na	6.1	25.4	23.9	17.1	17.9	1.8	1.9

Sources: Company data, Thanachart estimates

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